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SUBJECT: NABLUS BUSINESSMEN VOICE CONCERN OVER ONGOING
ISRAELI RESTRICTIONS

REF: JERUSALEM 516

Classified By: Consul General Daniel Rubinstein for reasons 1.4 b and d
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¶1. (SBU) Summary: During a January 28 trip to the northern West Bank city of Nablus, the city's business leaders briefed the Consul General on the impact of Israeli restrictions on the region's business climate. Nablus's aluminum-producing factory (the only one in the West Bank), like many manufacturers in the West Bank, is struggling to compete, in large part because of Israeli bans on the importation of essential dual-use chemicals essential to its manufacturing process. The Consul General also met with members of the Nablus Chamber of Commerce and Business Forum, who stressed that movement and access restrictions are the key constraint on economic growth in Nablus. End Summary.

Input Restrictions Choke Nablus Aluminum Company

¶2. (C) The National Aluminum and Profile Company (NAPCO), the West Bank's only aluminum producer, is barely breaking even, according to NAPCO CEO Anan Anabtawi. In 2009, NAPCO, with annual sales of \$10 million, experienced cut-offs by the GOI of three chemicals essential to its production lines. The three chemicals are considered dual-use. Although a permit system exists, the process is time consuming, not transparent, and often results in denial or no response at all, according to a recent study by USAID's Trade Facilitation Program.

Some Economic Growth, But More Easing Needed

¶3. (SBU) During a January 28 roundtable discussion with the Consul General, Nablus businessmen from a variety of sectors expressed appreciation for U.S. efforts aimed at easing GOI-imposed restrictions on movement and access, including measures allowing Arab-Israelis to shop and do business in the city. They highlighted, however, that ongoing restrictions continue to hamper economic progress and deter investment. They urged continued U.S. engagement with the GOI on input restrictions, access to Area C land, and easing the movement of goods and people.

¶4. (SBU) Roundtable participants noted that the GOI's permit system placed unilateral restrictions on Palestinian trade, circumventing the Paris Protocol governing Israeli-Palestinian economic relations and free trade

agreements between the Palestinian Territories and its partners. Despite this, one businessman pointed out, the Palestinian Authority has not reciprocated by placing restrictions on legitimate Israeli goods imported into the West Bank. Roundtable participants lamented that little had developed from the November 2008 Nablus Investment Conference, despite the attendance of 220 outside investors and 56 signed business agreements. "People just aren't willing to invest in Nablus as long as there are 'flying' checkpoints and time-consuming security procedures that damage our products at the Green Line crossings," one businessman said.

15. (C) The Chairman of the Nablus Business Forum, Ali Barham, said Nablus business leaders are trying to reverse an enormous flow of Chinese imports (and inputs) into the West Bank, which been detrimental to Palestinian producers. He said the Nablus business community has identified the United States as a major target of trade and hopes to work closely with the U.S. Commercial Service to ensure that Palestinians are involved in more U.S. trade fairs, in order to increase exposure to the U.S. market and establish direct relationships with U.S. companies.

16. (SBU) One businessman in the roundtable discussion noted that he no longer imports powdered milk and other goods from the United States, because U.S. companies insist he work through Israeli middlemen. Note: Private sector contacts tell us this is a common problem; many U.S. companies prefer to work through Israeli middlemen either due to the low volume of sales in the West Bank or fears of upsetting existing relationships with Israeli companies. End note.

RUBINSTEIN